

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

PANAMA

**PILOT PROJECT TO SUPPORT THE DEVELOPMENT
OF JOB SKILLS**

(TC-01-09-00-1)

DONORS MEMORANDUM

This document was prepared by the project team consisting of Carlos Miranda (RE2/SO2), Team Leader; Consuelo Ricart (RE2/SO2); Masami Yamamori (MIF); María Cristina Landazury-Levy (LEG/OPR); Roberto Flores (consultant) and Beatriz Jellinek (RE2/SO2).

CONTENTS

EXECUTIVE SUMMARY

I.	COUNTRY AND PROJECT ELIGIBILITY	1
II.	BACKGROUND.....	1
	A. Context.....	1
	B. Lessons learned	3
	C. Project rationale and strategy.....	3
III.	PROJECT OBJECTIVES AND COMPONENTS.....	4
	A. Objectives	4
	B. Component 1. Development and promotion of a skills system	5
	C. Component 2. Development of processes and creation of job skills standards ..	6
	D. Component 3. Creation of authorities for evaluation and certification based on job skills.....	7
IV.	PROGRAM EXECUTION	8
	A. Executing agency	8
	B. Social and environmental feasibility	9
	C. Project preparatory phase.....	10
V.	COST AND FINANCING	10
	A. Execution period and disbursements.....	10
	B. Sustainability	11
	C. Accounting and auditing.....	11
VI.	PROJECT RATIONALE AND RISKS	11
	A. Rationale.....	11
	B. Risks	12
VII.	MONITORING AND EVALUATION.....	12
	A. Monitoring.....	12
	B. Evaluation.....	13
VIII.	EXCEPTIONS TO POLICIES AND PROCEDURES	13
IX.	SPECIAL CONTRACTUAL CONDITIONS	13

ANNEXES

Annex I Logical framework

ABBREVIATIONS

APEDE	Asociación Panameña de Ejecutivos de Empresas [Panamanian Association of Business Executives]
APS	Asociación Panameña de Software [Panamanian Software Association]
CAMAPA	Cámara Marítima de Panamá [Panamanian Chamber of Shipping]
CAMTUR	Cámara de Turismo [Tourism Bureau]
CAPAC	Cámara Panameña de la Construcción [Panamanian Construction Board]
FUNTRAB	Fundación del Trabajo [Labor Foundation]
HR	Human Resources
MITRADEL	Ministerio del Trabajo y Desarrollo Laboral [Ministry of Labor and Workforce Development]
PCR	Project completion report
SISCOM	Sistema de Información para Comunidades y Municipios [Information System for Communities and Municipalities]

PILOT PROJECT TO SUPPORT THE DEVELOPMENT OF JOB SKILLS

(TC-01-09-00-1)

EXECUTIVE SUMMARY

Executing agency:	Fundación del Trabajo [Labor Foundation] (FUNTRAB)	
Financing:	Modality:	Nonreimbursable
	MIF – Facility II:	US\$1,400,000
	Local counterpart:	US\$ 703,760
	Total:	US\$2,103,760
Execution timetable:	Execution period:	36 months
	Disbursement period:	42 months
Objectives:	<p>The primary objective of the project is to increase the productivity and competitiveness of Panamanian enterprises and human resources by supporting the private sector in its efforts to meet the challenges of globalization, continually changing technology and new labor market demands by defining measurable and competitive job skills.¹</p> <p>The proposed program will increase the ability of entrepreneurial sectors to jointly develop job competency regulations as well as evaluation and certification mechanisms to achieve effective, quality job performance.</p>	
Description:	<p>The project is divided into the following three components:</p> <p>Component 1. Development and promotion of a skills system (MIF: US\$693,000; local counterpart: US\$292,900). Financing will be provided for technical support for the private sector in leading and promoting the development and implementation of skills and work certification by sector. International and national consultants will be contracted periodically to consult with the construction, shipping, tourism and information technology sectors in the development of standards and evaluation systems. With the assistance of technical experts from FUNTRAB, the synergy between production sectors will be used to achieve uniformity in applying the job competency model.</p>	

¹ A job competency standard describes the abilities, skills, knowledge and operations that an individual must be capable of performing in a defined work position.

Component 2. Development of processes to create job competency standards (MIF: US\$335,900; local counterpart: US\$179,930). Activities related to the operation of sector committees (for the various industrial branches) for standardization and job competency certification, and their respective work groups charged with the creation and, if applicable, adaptation of job competency standards and the development of activities related to competency evaluation and certification.

It is expected that by project end at least five committees will have defined the critical skills for their sectors with the sectors receiving direct support in the creation of its critical skills, and that after three years, approximately 100 competency standards will have been established with a potential market of approximately 125,000 workers.

Component 3. Creation of authorities for evaluation and certification based on job competency (MIF: US\$115,000; local counterpart: US\$74,480). Activities related to technical support to identify certifying agencies and evaluation centers or other evaluation systems applicable to each sector's specific dynamic will be financed.

Social and environmental impact:

The project will have a positive impact on both workers and employers insofar as it permits the establishment of demand-based job skills standards. The program will promote the employment potential and competitiveness of the Panamanian worker through diversified training programs and the introduction of models more adaptable to both the needs of employed and job-seeking workers.

No negative environmental impacts are expected and environmental aspects will be considered in the development and adoption of job competency standards. Each sector will have guidelines for identifying labor standards that will consider occupational health and safety and environmental protection.

Benefits and beneficiaries:

Initially, the project is expected to benefit approximately 125,000 workers through the establishment of job competency standards. **Employers** (industries and enterprises) will benefit as they will have more specific tools with which to coordinate their requirements and evaluate the qualifications of the staff they hire as well as plant personnel. **Workers** will benefit from certification based on acquired skills, facilitating mobility between sectors and, to the extent the market values it, certification will become the primary instrument to recruit personnel and orient training to the qualifications currently demanded in the production sectors.

Special contractual clauses:

As conditions precedent to the first disbursement, it shall be demonstrated, to the Bank's satisfaction, that (i) the Program Executing Unit has been set up within FUNTRAB (see paragraph 4.3); (ii) the annual work plan (AWP) has been prepared for year one of the project (see paragraph 9.1); and (iii) the project Operating Regulations have been prepared.

As conditions precedent to disbursement for each pilot project carried out by the sector committee, it shall be demonstrated that (i) an agreement has been signed between FUNTRAB and the sector committee as set out in paragraph 4.5; and (ii) the respective sector committee has been set up, with at least the members indicated in paragraph 4.5 (paragraph 9.2).

Exceptions to Bank policy:

None.

I. COUNTRY AND PROJECT ELIGIBILITY

- 1.1 At its 9 February 1995 meeting, the Donors Committee declared Panama eligible for all the financing modalities provided for under the Multilateral Investment Fund (MIF). The program is consistent with the provisions of the MIF for activities under the Human Resources Facility (Facility II), since the intent is to improve labor market performance to develop the country's private sector by establishing a national job skills standardization and certification system.

II. BACKGROUND

A. Context

- 2.1 Panama has begun the process of transforming its economic model. One of its greatest challenges is to develop better-prepared human resources capable of adapting to the changing labor market. Moreover, there is interest in developing a system delineating job skills to facilitate worker transition (incoming and outgoing) in expanding or contracting sectors. A **job skills standard** (hereinafter “**skills**”) describes the abilities, skills, knowledge and operations that an individual must be capable of performing in a defined work position. Over the last four years, the government and private sectors have collaborated in developing demand-based training and employment initiatives to create the basis for establishing a training and employment system. This system is intended to promote the employment potential and competitiveness of the Panamanian worker through diversified training programs and to introduce models more adaptable to both the needs of employed and job-seeking workers. Panama’s entrepreneurs are convinced that a highly qualified workforce capable of adaptation is the most strategic factor for competing in the international market.
- 2.2 Panama’s transformation process began in 1997. The MIF financed a pilot project to support a demand-based training and employment system (ATN/MH-5739-PN). Through this pilot project, the private sector, together with the Ministerio de Trabajo [Ministry of Labor and Workforce Development] (MITRADEL), had the opportunity to: (i) experiment with new training models oriented to production sector demand; (ii) collaborate in the analysis of skills systems in more advanced countries; and (iii) analyze the applicability of these systems and models to Panama. The demonstrable positive effects of the MIF project led the Ministry to request a loan from the Bank to accelerate the modernization of the training and employment system. With the May 2002 approval of the program to support the development of a training and employment system (loan 1403/OC-PN), the government is seeking to: transform the institutional systems through which it invests in training and employment services; improve labor mediation mechanisms; and ensure better public investment in active labor market policies.

- 2.3 The experience gained from the MIF pilot project also demonstrated the need to define appropriate mechanisms to measure skills and evaluate worker qualification levels, a key element in the training and employment development process in which the country is engaged in with the help of the Bank. This motivated the government to take advantage of MIF resources to: (i) analyze skills initiatives promoted by the production sector in England, the United States, Brazil, Trinidad and Tobago, and Mexico; (ii) travel to Mexico with technicians from MITRADEL as well as a group of Panamanian entrepreneurs and trade unionists to learn about its experiences; and (iii) hold, in June 2001, a seminar on job skills where various sectors and industries of the country had the opportunity to analyze methodologies and institutional mechanisms applicable to the development of skills and their certification. This event was sponsored by MITRADEL and the Fundación del Trabajo [Labor Foundation] (FUNTRAB), an organization that puts together Panama's most important entrepreneurs and trade unionists. As a result of this seminar, FUNTRAB, various production sectors and MITRADEL collaborated in introducing skills initiatives in Panama. Initially, four sectors—tourism, shipping, construction and information technology—committed their own resources to developing these skills. Subsequently, in 2002, a group of human resources professionals—an emerging field in the economic activity of the country—joined the project. This endeavor can have significant impact since each of these sectors is fundamental to the country's economy. To illustrate, there are approximately 76,000 workers employed in construction, 5,500 in shipping, 30,000 in tourism, 10,000 in information technology, and 3,000 in human resources. All of these areas are in the process of expanding and are strategic to the country's economy.
- 2.4 The incentives to participate in an initiative to develop certification systems based on skills are different in each case. The construction sector, for example, wants to standardize worker qualification to ensure consistent work performance. The tourism sector needs client-oriented personnel in all service areas. The shipping sector has a strategic interest in achieving higher qualification levels and greater international recognition to compete globally. The information technology sector needs internationally recognized certification to continue expanding its markets. All these sectors believe that they will increase their competitiveness with more objective mechanisms for measuring the qualification levels of hired personnel. Human resource professionals are interested in introducing skills to modernize selection practices, classification and training of personnel in enterprises. FUNTRAB initially promoted the four aforementioned industries in identifying priorities and leading this process within each sector, and in 2001 these industries formed work groups and experimented with various methodologies. FUNTRAB requested funding from the MIF to strengthen the endeavor and produce demonstrable effects to further the development of skills.
- 2.5 **Country and MIF strategy.** The proposed program is consistent with the strategy agreed upon with the Bank because it will assist in improving the competitiveness and economic growth of the country. Indeed, the government supports the

development of this project because, once established, it could require skills-based training from public schools and independent providers, thereby improving the quality of public bids.

B. Lessons learned

- 2.6 The following lessons learned are detailed in an external evaluation of the MIF's experience with this type of project: (i) while skills are a useful mechanism in improving training quality, in the end they are only helpful when utilized in hiring personnel; (ii) long-term sustainability depends on market demand; (iii) work within sectors having a strategic need to introduce certification processes yields better results; for example, services, tourism, banking or sectors requiring ISO-9000 certification; (iv) the role of large enterprises is important because these entities can act as catalysts within their sectors and have the resources to invest in training and certification; (v) cash participation by employers during the pilot phase is important in ensuring midterm sustainability; (vi) the methodology utilized must be responsive to the private sector dynamic, by being simple and flexible; and (vii) initiatives led by managerial groups who broadly represent employers and workers are more likely to succeed. Skills certification is an innovative and complex matter, especially in countries in the initial stages of developing these programs.

C. Project rationale and strategy

- 2.7 The consolidation of a skills-based system depends on market demand for certification. The system will be strengthened as the country's production sectors establish standards and demand certified workers. In Panama, the process began with the collaboration and expert technical support from Mexico, a country with a model that put together best practices (in terms of methodology) at an international level when it began this project in 1995. Mexico's experience will facilitate the: (i) standardization of methods to identify and establish specific standards; (ii) production of tools for systematic verification of skills levels; (iii) adoption of a common language to define skills levels; and (iv) creation of viable mechanisms to certify manpower by skills levels.
- 2.8 FUNTRAB's request to the MIF opens the way for developing an initiative led by the private sector, independent of the aforementioned 1403/OC-PN loan, as that loan finances the introduction of training based on demand by private providers, strengthening employment and technical services to increase MITRADEL's capacity to analyze and conduct active market policies. Within the framework of the prior loan, the creation of a Consejo Nacional de Normalización de Competencia (National Council of Skills Standardization) is being considered to provide an opportunity for dialogue between private and public sectors through which the development and regulation of the system can be promoted, consistent with the development objectives of the training and employment system. In fact, the

proposed project will strengthen the capacity of production sectors to provide guidance for and promote the implementation of a Sistema Nacional de Normalización y Certificación de Competencia Laboral [National System of Standardization and Certification of Job Skills] (SISCOM). MITRADEL has asked FUNTRAB to act as the technical secretariat of this council.

- 2.9 Sustainability of a skills certification system depends on its usefulness to recruiting employers and the opportunity cost of certification to job seekers. Initially the Cámara de Turismo [Panamanian Tourism Bureau] (CAMTUR), the Cámara Panameña de la Construcción [Panamanian Construction Board] (CAPAC), the Cámara Marítima de Panamá [Panamanian Chamber of Shipping] (CAMAPA), the Asociación Panameña de Software [Panamanian Software Association] (APS) and the Asociación Panameña de Ejecutivos de Empresas [Panamanian Association of Business Executives] (APEDE) would be supported to produce methodological and technical training to assist enterprises and workers in those sectors in the creation and application of job skills, worker evaluation and certification.
- 2.10 FUNTRAB will coordinate the activities of the proposed program and will channel financial and technical resources to participating sectors. Each sector will lead its pilot projects and support processes for creating skills standards, carrying out activities to promote their utilization for evaluation and certification purposes, including the use of these standards in recruitment by enterprises in the project beneficiary sectors.
- 2.11 With the **participation of the MIF**, it is anticipated that the sectors initially involved in the project will produce demonstrable results to stimulate the inclusion of other industries and thus develop and strengthen a skills certification culture in the country. With regard to the criteria established in MIF strategy, the proposed project is **innovative** because it seeks to create appropriate incentives for the production sector to invest in the process as well as exacting high quality standards to promote competitiveness. The proposed project will also produce a **demonstrable result** since the four sectors have the technical support of human resource professionals to help clarify skills-based recruitment and hiring, thereby serving as a catalyst for extending this project to other sectors. An additional benefit is the mobilization of private sector investments to accelerate and broaden participation by other industries.

III. PROJECT OBJECTIVES AND COMPONENTS

A. Objectives

- 3.1 The main goal is to increase the productivity and competitiveness of Panamanian enterprise and human resources by supporting the private sector in its efforts to meet the challenges of globalization, continually changing technology and new

labor market demands by defining measurable and competitive skills at an international level.

- 3.2 The primary objective is to improve the capability of entrepreneurial sectors and their workers by developing joint skills standards as well as evaluation and certification mechanisms to obtain effective and quality job performance in vitally important specific functions within each sector.
- 3.3 Specific objectives are: (i) developing jointly defined standards within four strategic industries; (ii) identifying the easiest way to modernize and/or adapt international job skills standards pertaining to each sector's competitiveness; (iii) establishing evaluation authorities appropriate to each sector's practices; (iv) identifying and entering into agreements with certifying agencies capable of evidence-based certification of acquired skills; and (v) contributing to strengthening the institutional, methodological and technical framework to implement the project throughout the country. The project consists of three components, noted in the logical framework (Annex I)

B. Component 1. Development and promotion of a skills system
(MIF: US\$693,200; local counterpart: US\$292,900)

- 3.4 **Coordination.** Technical support for the private sector in leading and promoting the development and modernization of sector skills and certification will be financed. With support from technical experts selected by FUNTRAB, the synergy between production sectors will be used to achieve uniformity in applying the job skills model. International consultants will be hired to provide advisory assistance from time to time to the sectors in developing standards and evaluation plans, and local consultants will be hired for technical assistance support.
- 3.5 FUNTRAB, in coordination with CAMTUR, CAPAC, CAMAPA, APS and APEDE, will establish the mechanisms to provide information to entrepreneurs and workers from their respective unions who are interested in developing pilot projects for standardization systems and skills certification. Each sector has established a desk to supervise its process with the participation of the each sector's primary unions. Each sector has already identified the priority functional areas in which they will work (see Annex II). The sectors will be placed in work groups that will carry out the functional analysis to define standards. Participants in committee work groups will be entrepreneurs, supervisors and workers with knowledge of the functional area or subject in which they will work. Trainers and/or human resources experts from the sector may also participate.
- 3.6 **Sector support.** Financing to achieve the aforementioned objectives, will be for: (i) technical support to produce standardization, methodology and technical documents to standardize and establish the processes applicable to each sector; (ii) support of sector work groups; (iii) technical support in the design, development

and, if applicable, adaptation of skills; (iv) support in identifying job skills certifying agencies as well as the necessary technical support to operate quickly in that sector's environment; (v) training to orient entrepreneurial leaders and worker representatives on the sector committees as well as personnel participating in the work groups required by the sectors; (vi) technical support in designing evaluation and training protocols for personnel assessing and monitoring evaluation and certification, (vii) development of evaluation tools based on the standards established in that sector; and (viii) dissemination and promotion of the use of the evaluation and skills certification system in the sectors and the country. It is also expected that the sectors will establish benchmarking mechanisms to facilitate the ongoing modernization of production and skills processes, exchanging this information at biannual coordination meetings.

- 3.7 **Promotion and dissemination.** Implementation of a sensitization and communication strategy will be financed to stimulate utilization of SISCOM; adoption of the job skills model by other production sectors also will be financed. This includes: (i) creation and printing of informational manuals and guides; (ii) design and distribution of promotional materials to enterprises and workers; (iii) enterprise marketing activities, "focus groups" to evaluate response to the initiative; and (iv) announcements in communications media.

- 3.8 **Registration and information systems.** Financing will be provided for: (i) development and operation of information systems to integrate standards and register issued skills certificates; (ii) operational monitoring of the program's executing agency and participating sectors; (iii) establishment and maintenance of an interactive *website* so users can access information generated by the program; and (iv) contracting consulting services for technical support and support in utilizing the information system.

- 3.9 It is expected that by the end of the project the national system of standardization and job skills certification will be established and operating with at least 50 individuals trained in standardization and certification and this system will be a part of SISCOM's information system.

C. Component 2. Development of processes and creation of job skills standards
(MIF: US\$335,900; local counterpart: US\$179,930)

- 3.10 Activities related to the operation of the sector committees for standardization and job skills certification (sectors or industries, once these have been set up) and their respective work groups charged with the creation and, if applicable, adaptation of skills standards and development of evaluation and skills certification systems (see Component 3) will be financed. It is expected that by project end at least five committees will have defined the critical skills for their sectors with the sectors receiving direct support in the creation of its critical skills, and that after three years,

approximately 100 skills standards will have been established with a potential market of approximately 125,000 workers.

- 3.11 Also to be financed: (i) studies more specific in nature so that each industrial sector has an analysis of the production structure, human resources qualification profile, potential demand for job skills certification in some areas and the significance of training; (ii) technical and methodological support for the analysis of production functions and elaboration of standards; (iii) methodological development, validation and assurance of quality standards; and (iv) computer equipment needed to facilitate the integration and maintenance of the information system. Work groups meeting to identify skills will receive technical support for: (i) incorporating health and safety provisions; (ii) considering environmental aspects; and (iii) avoiding differentiated gender treatment during analysis of abilities and performance. Resources from the grant may also be used for contracting experts on gender or specialists in health and safety for reviewing standards prior to their approval.

D. Component 3. Creation of authorities for evaluation and certification based on job skills (MIF: US\$115,000; local counterpart: US\$74,480)

- 3.12 Technical support will be financed to identify certifying agencies and evaluation systems that are applicable to each sector's specific dynamic. Some examples here are the evaluation of the skills of a carpenter in construction work and the evaluation of an Internet computer specialist.
- 3.13 Because MIF resources support the initial stage, each sector will try to identify existing organizations for certifying its workers as well as economic procedures to obtain independent evaluations. For the purposes of this operation, the sectors and FUNTRAB will agree on procedures for evaluators and certifying agencies. However, once the Consejo Nacional de Modernización y Competencias [national council for modernization and skills] has been established, these agreements will be entered into with the council. It is expected that by project end, five certifying agencies and 20 evaluators will have been accredited and at least two thousand skills certificates will have been issued. This component's activities will contribute to the establishment of a skills-based recruitment and training culture. The design of tools to evaluate standards as well as the application of these standards to worker groups from participating enterprises will also be financed.
- 3.14 Once the system is set up and the council established, the **certifying agencies** will be authorities expressly accredited by this council to certify the job skills of individuals. They will be required to operate independently of agencies involved in training and evaluation and will have no working relationship with certification applicants, thereby ensuring that the certification process will be impartial, objective, transparent and of high quality. These agencies may be among those already established as certifying agencies for product or processing standards that will now expand their service portfolio to include job skills. The agencies must be

in the proposal from the sector committees participating in the program. The sectors will also be required to identify authorities responsible for the evaluation of job skills, quality assurance of the evaluation process and are required to work with these agencies to determine the merits of certification candidates.

- 3.15 **Additional activities.** An additional US\$50,000 is available to support projects submitted by other sectors insofar as they generate interest in the development of standards, evaluation and certification based on job skills in their sectors and satisfy the following requirements: (i) submission of sector analysis; (ii) outlines from which they would work; (iii) evidence of availability of local counterpart resources; and (iv) establishment of a sector committee with a board, a leading businessman and sector worker representative.

IV. PROGRAM EXECUTION

A. Executing agency

- 4.1 Fundación del Trabajo will be the executing agency and will be responsible for overall program development. Pilot projects will be executed directly by participating sector boards. The majority of MIF resources would be channeled through FUNTRAB directly to the participating sector boards executing pilot projects, which would be the primary local contributors. The following boards have already presented their letters of commitment, identifying their specific projects and local counterpart resources: (i) CAPAC; (ii) CAMTUR; (iii) Panamanian Software Association; (iv) CAMAPA; and (v) Panamanian Association of Business Executives (see paragraphs 4.5 and 5.2).
- 4.2 **Organization.** FUNTRAB will sign an agreement with the participating sector participants of each pilot project. A representative of the sector committee will also sign this agreement. Each sector committee must be made up of at least the members specified in paragraph 4.5 and must have a president and a technical secretary elected from its membership.
- 4.3 **Execution.** FUNTRAB will set up a technical board with a general director, a technical director and a financial specialist in accordance with the terms of reference acceptable to the Bank. Their responsibilities will include: (i) reviewing SISCOM development progress from the private sector's viewpoint; evaluating service quality and making recommendations for improvement; (ii) successfully transferring methodologies by training personnel in participating sectors; and (iii) providing technical support to identify and create skills standards as well as evaluation and certification standards to facilitate pilot projects in production sectors.

- 4.4 Because FUNTRAB represents the majority of the employer and worker organizations in Panama's production sector, it is in a unique position to bring together and coordinate participating sectors. It is a private not-for-profit organization established in 1993 to promote employment opportunities, stimulate the integrated development of human resources through educational and social projects, and contribute to the country's economic development by improving job training in the production field. Basically, its capital depends on contributions from the country's entrepreneurial and labor unions as well as public and private donations. FUNTRAB has executed small projects with financing from the public sector and private donations.
- 4.5 The pilot projects will have sector committees made up of expert industry personnel, including workers, supervisors, professionals, entrepreneurs, and clients or suppliers. Before resources destined for these specific projects are disbursed, a special condition will be in effect requiring each participating sector board executing a pilot project to sign an agreement with FUNTRAB that has been approved by the Bank. This agreement must define the responsibilities and financial obligations of each party. Each agreement will be signed by an organization that is the legal entity representing the sector, as well as by a member of the sector committee. Each sector committee must include at least one representative from the following institutions: **(i) a board leader; (ii) a business leader; and (iii) a labor representative or worker selected by the workers.** This does not imply that membership of the sector committees is closed once the agreement with FUNTRAB has been signed. On the contrary, the committees must expand during the term of the project to ensure that pilot projects have a sufficiently broad representation of entrepreneurial leaders and workers.

B. Social and environmental feasibility

- 4.6 This program is considered environmentally feasible as no negative environmental impacts are expected. In addition, environmental aspects will be considered and pertinent and appropriate measures will positively impact the development and adoption of job skills standards. Each sector will have guidelines for the process of identifying labor standards that consider occupational health and safety and environmental protection. As previously indicated (paragraph 3.11), if necessary, resources will be used to contract experts to review health and safety provisions during the identification process and prior to the publication of a standard.
- 4.7 In terms of **social impact**, the primary strategic beneficiaries of this program are Panama's industries, enterprises and workers. **Employers** (industries and enterprises) will benefit as they will have more objective tools with which to coordinate their requirements and evaluate the qualification levels of the personnel they hire as well as their plant personnel. **Workers** will benefit from certification based on acquired skills, facilitating mobility between sectors. And to the extent the market values it, certification will become the primary instrument to recruit

personnel and orient training to the qualifications currently required in the production sectors. Midway through the project, it is expected that approximately 125,000 workers will have benefited from the establishment of job skills standards in the initial pilot projects.

C. Project preparatory phase

- 4.8 FUNTRAB has determined terms of reference for the primary consultants along with project operating regulations. The financial contribution of participating sectors was verified during the analysis phase. The letters of commitment between FUNTRAB and the institutions endorsing sector participation are available in the project's technical files.

V. COST AND FINANCING

- 5.1 The total estimated cost of the project is US\$2,103,760, of which the MIF will contribute US\$1,400,000 along with a local contribution of US\$703,760 as shown in the table below. FUNTRAB will be responsible for the entire local counterpart regardless of what participating entities may have undertaken to contribute. Fifty percent of the local counterpart will be in cash. Annex III gives a breakdown of each activity and its cost.

Table V.1 Detailed budget in US dollars (thousands)			
Component/ Activities	MIF	LOCAL	TOTAL
1. Development and promotion of skills system	693,200	292,900	986,100
A. Coordination and support of sectors	457,000	247,000	704,900
B. Promotion and dissemination	130,900	45,900	175,900
C. Information and registration systems	105,300	0	105,300
2. Development of processes to create standards	335,900	179,930	515,830
A. Studies	20,000	5,000	25,000
B. Technical and operating support	315,900	174,930	490,830
3. Evaluation and certification based on job skills	115,000	74,480	189,480
A. Tech. assist. in developing evaluation and certification tools	115,000	74,480	189,480
4. Executing agency	169,200	156,450	325,650
A. Personnel	152,600	117,800	270,400
B. Equipment	16,600	0	16,600
C. Operating expenses	0	38,650	38,650
5. Evaluations, auditing and contingencies	86,700	0	86,700
TOTAL	1,400,000	703,760	2,103,760
Percentage (%)	67.0	33.0	100.0

A. Execution period and disbursements

- 5.2 As planned, the project will be executed over a 36-month period and the MIF contribution will be disbursed over a 42-month period, with the exception of

expenses applicable to the final evaluation, which will be carried out 12 months after the end of the execution period. The revolving fund amount will be 10% of the MIF contribution amount.

B. Sustainability

- 5.3 The MIF serves as a catalyst fund by financing a portion of the investment cost to start the system process. Likewise, from the beginning the participating sectors have financed a large part of the proposed project, including the salaries of personnel working on the functional analysis, identifying standards, and creating evaluation and certification systems. Midterm costs originating from modernization will require smaller investments. Long-term costs will originate mainly from user payments for certification and registration services that will ensure the sustainability of these processes. Financial sustainability of this initiative will be ensured by the recovery of certification costs, starting in the second year of execution according to the proposed project timetable, and MITRADEL's system coordination support of the council of standardization of job skills and certification.

C. Accounting and auditing

- 5.4 FUNTRAB is obligated to maintain adequate internal accounting and administrative control of the program resources, including: (i) maintenance of appropriate accounting ledgers and an internal control system operating at FUNTRAB's level as well as with the sector boards charged with the execution of each sector's pilot program, pursuant to the operating regulations describing procedures for the activities being financed which encompass payment of eligible expenses, payment authorization levels, support documentation for eligible payments; support documentation filing systems; structuring of accounts and an account audit system; (ii) preparation of requests for disbursement and justification of expenses; (iii) coordination with participating sector boards to ensure compliance with the Bank's policies and operating procedures for acquisitions, disbursements, contribution of local counterpart resources and submission of support documentation; (iv) presentation of semiannual financial reports on the management of the revolving fund and preparation of the program's financial statement audited by an independent auditing firm acceptable to the Bank; and (v) maintenance of exclusive and separate bank accounts to manage the resources from the MIF and local counterpart contributions.

VI. PROJECT RATIONALE AND RISKS

A. Rationale

- 6.1 Independent development and management is the key to maintaining high credibility in a skills certification system with primary training providers,

entrepreneurs and workers. Therefore, in each country an effort has been made to develop skills standards within each industry using private sector resources. In addition to the agreement between the government and the private entrepreneurial sector to develop a national standardization and certification system, the pilot project proposals include participation by enterprises and boards that are leaders in each of the involved sectors and are committed to disseminating and promoting program findings throughout the country.

- 6.2 The proposed program also meets and strengthens the strategy and action plan for the job market initiated in Region 2 to promote improved job market performance with a strategy for competitiveness and economic growth. This plan includes the development of skills certification systems in the countries in the region as a key element in the modernization of this job market.

B. Risks

- 6.3 The primary risk is that the pilots do not produce the expected sector results within the specified periods. This result could imply that the pilots did not deepen absorption of the standardization process at the national level. To mitigate this risk, resources are included for the dissemination and promotion of the standardization and certification processes during project execution to ensure that industry internalizes the process in general.
- 6.4 There is always the possibility that enterprises will not collaborate among themselves because they are competing for a better-trained and more qualified workforce. However, the industries that would participate in this initiative are already collaborating in the definition of training requirements and have invested resources in training projects that include each industrial sector. Likewise, the skills that would be created by these industries would be disseminated to their members. This minimizes the possible fears the enterprises might have. International experience also demonstrates that over the long term, the benefits of investment in worker training minimizes the short-term risks of losing training investments.

VII. MONITORING AND EVALUATION

A. Monitoring

- 7.1 In addition to the auditing and accounting requirements detailed in Chapter IV (paragraph 5.4), the executing agency must submit: (i) an annual work plan; (ii) semiannual progress reports to the Bank's Country Office within 60 days after the end of each six-month period; and (iii) a final report within 60 days after the final disbursement which includes the results of the various activities, their contribution to the objectives of the project and the logical framework indicators. The Country Office will use these reports to monitor the progress of the project and

to prepare a project completion report (PCR) within the three months following the last disbursement.

B. Evaluation

- 7.2 The program includes two external evaluations directly contracted by the Bank. The intermediate evaluation will be made at the end of the first 18 months after the first disbursement and at the least, will include the following aspects: (i) progress made in executing program components in accordance with the logical framework; (ii) performance of the executing agency; (iii) degree of satisfaction of the program's participating sectors; and (iv) degree of participation of the various sectors. The final evaluation will be made one year after the conclusion of the execution period so as to enhance the analysis of program impact and sustainability. The final evaluation will include a review of institutional and juridical regulation of the program and recommend any necessary adjustments to guarantee system permanence.

VIII. EXCEPTIONS TO POLICIES AND PROCEDURES

- 8.1 No exceptions to Bank policies are expected.

IX. SPECIAL CONTRACTUAL CONDITIONS

- 9.1 As conditions precedent to the first disbursement, it shall be demonstrated, to the Bank's satisfaction, that: (i) the executing agency has been established within FUNTRAB (see paragraph 4.3); (ii) the annual work plan (AWP) has been prepared for the first year of the project; and (iii) the program Operating Regulations.
- 9.2 As conditions precedent to disbursement of resources for each pilot project executed by a sector board, it shall be demonstrated that: (i) an agreement has been signed between FUNTRAB and the sector board pursuant to paragraph 4.5 and (ii) the respective sector committee has been set up, with at least the members indicated in paragraph 4.5.

LOGICAL FRAMEWORK (TC-01-09-00-1) Pilot Project to Support the Development of Job Skills			
SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
GOAL			
Increase productivity and competitiveness of Panama's enterprises and human resources by supporting private sector efforts to meet the challenges of globalization, continually changing technology and new labor market demands by defining measurable and competitive skills at an international level.	<ul style="list-style-type: none"> By midterm, the enterprises have criteria for hiring workers who are more consistently productive. Panamanian workers render better quality service by midterm. Panamanian enterprises and workers are reaching internationally competitive productivity levels by midterm. After five years, a growing number of training and learning institutions are utilizing job skills standards in their courses. 	<ul style="list-style-type: none"> Personnel hiring policies in the enterprises of participating sectors. Administrative surveys and inspections of service quality in enterprises of participating sectors. Administrative surveys and inspections of production in establishments and participating sectors and industries. 	<ul style="list-style-type: none"> Participating entrepreneurial sectors will maintain their policy of increasing human resource productivity as agreed upon with their workers and investing in the development of job skills standards at an international level.
PURPOSE			
Improving the capability of four industries and an association of Recursos Humanos [Human Resources] (HR) professionals by developing joint skills standards and evaluation and certification mechanisms to obtain effective, quality job performance in vitally important specific functions within each sector.	<ul style="list-style-type: none"> At least four sector committees composed of enterprises and workers from each sector are developed, promoting evaluation and certification based on evidence of job skills "know how". Industry has defined at least five key standards for job skills with national validity and international quality. At least two certifying agencies and sufficient job skills evaluators to provide services to participating industries and their workers have been identified. 	<ul style="list-style-type: none"> Registration of working standardization committees and technical groups. Registration of evaluators and job skills certification agencies. Project information system. Statistics on training and learning. FUNTRAB semiannual reports. Midterm and final project evaluation. 	<ul style="list-style-type: none"> Entrepreneurial sectors and workers will participate in and agree to the establishment of standards and the promotion of job skills certification so that it acquires value in the labor market. Production and labor sectors will adopt standardization and job skills technology, training institutions will use these standards in their training programs.
COMPONENTS			
<p>Component I: Development and promotion of skills system:</p> <ul style="list-style-type: none"> Development of technical and managerial training to enable the private sector to lead the process and facilitate the development and modernization of skills and certification at the sector level. 	<ul style="list-style-type: none"> There is documented methodology and techniques for standardizing the creation and/or adaptation of standards as well at least 25 protocols to evaluate and certify job skills at the end of the project. There are 50 individuals in the construction, shipping, tourism, information technology and human resources sectors trained in standardization, and evaluation and certification procedures at the end of the project. 	<ul style="list-style-type: none"> Project operation reports. Regulatory, methodological and technical manuals on standardization, evaluation and certification of job skills. Meetings, presentations, seminars and conferences. Training programs established based on job skills standards. Documented success cases. Enterprise marketing messages and activities. 	<ul style="list-style-type: none"> Acceptance and participation of production sectors in assimilating methodologies and tools for managing and operating the job skills model.

LOGICAL FRAMEWORK (TC-01-09-00-1) Pilot Project to Support the Development of Job Skills			
SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<ul style="list-style-type: none"> • There are 10 successful standardization cases documented at the end of the project. • Eighty percent of enterprises, workers and training institutions in Panama have some knowledge of the initiative by the end of the project. • FUNTRAB has a registry of job skills standards, certifying agencies and evaluation systems at the end of the project. • Panamanian enterprises, workers and training agencies have access to the project's website. 	<ul style="list-style-type: none"> • Manuals, information guides and other promotional and informational materials to enterprises and workers. • Project information system operating. • Project web page functioning. 	
<p>Component II: Development of processes for creating job skills standards:</p> <ul style="list-style-type: none"> • Support the establishment and operation of sector committees for standardization and certification of job skills and their respective work groups charged with establishing standards. 	<ul style="list-style-type: none"> • Five sector studies carried out. • Five function charts created. • One hundred job skills standards approved by four participating sectors (and the human resources association). 	<ul style="list-style-type: none"> • Minutes from installations, meetings and committee reports. • Reports of accepted sector studies. • Notes from work group meetings. • Registry of operating committees and work groups. • Semiannual reports on project operations. • Project information system. 	<ul style="list-style-type: none"> • Enterprises and worker organizations will support and permit the attendance and participation of their representatives in the ongoing standardization process. • Increasing significance and utilization of standards in human resources training and enterprise competitiveness.
<p>Component III: Creation of authorities for evaluation and certification based on job skills.</p> <ul style="list-style-type: none"> • Support action plans of the organizations identified by sectors to carry out independent evaluations and certify job skills. 	<ul style="list-style-type: none"> • Five certifying agencies identified and accredited. • Twenty evaluators accredited. • Two thousand job skills certificates issued. 	<ul style="list-style-type: none"> • Registration of evaluators and certifying job skills agencies. • Registry of certificates issued. • Semiannual project reports. • Project information system. 	<ul style="list-style-type: none"> • Enterprises need job skills certification to improve their strategies for selection and recruitment of personnel. • Enterprises will see the benefit of investing in certification of their employees to broaden their markets or expand their production. • Job seekers prefer to invest in evaluation and certification based on skills instead of buying a training course.

LOGICAL FRAMEWORK (TC-01-09-00-1) Pilot Project to Support the Development of Job Skills			
SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Component I activities: Coordination and support of sectors <ul style="list-style-type: none"> • Technical support for the creation of methodologies and techniques to standardize the establishment of standards and for the design of evaluation and certification protocols. • Technical training for identification of standards as well as evaluation and certification. • Benchmarking meetings between committees, certifying agencies, evaluation centers and the executing agency. • Contracting a technical consultant. • Contracting a standardization consultant. • Contracting a certification consultant. • Technical support for sector committees. • Development of an approved standards curriculum. • Contracting of sector coordinators. <u>Promotion and dissemination activities</u> <ul style="list-style-type: none"> • Documentation of standardization process cases. • Design of identity, campaign and materials for dissemination. 	MIF 693,200 LOCAL COUNTERPART 292,900 TOTAL 986,100	<ul style="list-style-type: none"> • Project executing agency operating. • Project operation reports. • Regulatory, methodological and technical manuals on standardization, evaluation and certification of job skills. • Meetings, presentations, seminars and conferences. • Training programs established based on job skills standards. • Documented success cases. • Enterprise marketing messages and activities. • Manuals, information guides and other promotional and informational materials to enterprises and workers. • Project information system operating. • Functioning project web page. • Periodic meetings to review project performance with Bank's Country Office. 	<ul style="list-style-type: none"> • FUNTRAB has the technical equipment to support the sectors. • The production sections have consented to regulatory, methodology and technical documents.

LOGICAL FRAMEWORK (TC-01-09-00-1) Pilot Project to Support the Development of Job Skills			
SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Design, implementation and modernization of information systems <ul style="list-style-type: none"> Operational project monitoring system. Design and development of project information system (database). Creation of web page. Website support. Contracting systems and monitoring consultant. 			
Component II activities: <ul style="list-style-type: none"> Establishment of sector studies Technical support <ul style="list-style-type: none"> Support for committee and work group operations (contracting technical advisers for work groups; computer equipment). Development of standards (technical meetings for the identification and development of standards, committee meetings for pre-approval of standards). 	MIF 335,900 LOCAL COUNTERPART 179,930 TOTAL 515,830	<ul style="list-style-type: none"> Minutes of installations, meetings and committee reports. Sector studies established. Notes from work group meetings. Registry of standardization and technical groups in operation. Project operation reports. Project information system. Periodic meetings for review of project performance with Bank's Country Office. 	Enterprises as well as training and learning institutions use the standards to improve management and human resources training.

LOGICAL FRAMEWORK (TC-01-09-00-1) Pilot Project to Support the Development of Job Skills			
SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Component III activities: Technical support to develop evaluation and certification tools <ul style="list-style-type: none"> Creation of evaluation tools. 	MIF 115,000 LOCAL COUNTERPART 74,480 TOTAL 189,480	<ul style="list-style-type: none"> Registration of evaluators and job certification agencies. Registry of certificates issued. Project operation reports. Project information system. Periodic meetings for review of project performance with Bank's Country Office. 	<ul style="list-style-type: none"> Evaluation and certification of job skills become valued in the processes of selecting, hiring and training personnel in enterprises as well as by individuals in the labor market.
Component IV activities: <ul style="list-style-type: none"> Contracting the project coordinator and four experts for the technical board. 	MIF 169,200 LOCAL COUNTERPART 156,450 TOTAL 323,150	<ul style="list-style-type: none"> Project operation reports. Project information system. Periodic meetings for review of project performance with Bank's Country Office. 	<ul style="list-style-type: none"> The executing agency and sectors develop joint administrative capacities for effective and efficient execution of the project.
Purchase of Equipment <ul style="list-style-type: none"> Personal computer Printer Cannon Server Midterm study (evaluation of execution). Evaluation of system impact (quality and management). Financial audit. Contingencies. 	MIF 86,700 LOCAL COUNTERPART TOTAL 86,700		